UMVOTI LOCAL MUNICIPALITY

Annual Financial Statements
for the year ended 30 June 2018

UMVOTI LOCAL MUNICIPALITY
(Registration number KZN245)
Annual Financial Statements for the year ended 30 June 2018

GENERAL INFORMATION

EXECUTIVE COMMITTEE	
Mayor	T.C Ngubane (Mayor)
	N.G Masikane (Deputy Mayor)
	W. Khoza (Speaker)
	L.T Gwala (Exco member)
	S.V Zondi (Exco Member)
	R Maharaj (Exco Member)
Councillors	BD Madonsela
	JM Mweli
	NP Dlamini
	MD Khanyile
	MR Dlamini
	MS Zondi
	MS Yengwa
	NJ Nzame
	PS Hlophe
	SS Xulu
	VB Njoko
	Z Zakwe
	ZC Ngema
	ZN Ndlovu
	CN Mkhize
	F Mayat
	GZ Malembe
	PMS Ngubane
	PT Zuma
	RS Maharaj
	SE Lembethe
GRADING OF LOCAL AUTHORITY	Grade 3
CHIEF FINANCE OFFICER (CFO)	CB Mkhize
ACCOUNTING OFFICER	T.N. Ngiba
REGISTERED OFFICE	41 Bell Street/ King Dinizulu Greytown 3250
BANKERS	ABSA Bank
AUDITORS	The Auditor General South Africa

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The reports and statements set out below comprise the annual financial statements presented to the council:

DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
HDF	Housing Development Fund
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant

ACCOUNTING OFFICER'S RESPONSIBILITIES AND APPROVAL

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and are given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that she is ultimately responsible for the system of internal financial control established by the municipality and places considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficiency.

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2019 and, in the light of this review and the current financial position, she is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The accounting officer certifies that the salaries, allowances and benefits of councillors as disclosed in note 27 of these annual financial statements are within the upper limits of the framework envisaged in section 219 of the constitution , read with the Renumeration of Public Office Bearers Act (Act no.20 of 1998).

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements are examined by the municipality's external auditors and their report is presented to the council upon completion.

The annual financial statements set out on pages 4 to 58, which have been prepared on the going concern basis, were approved on 31 August 2018 and are signed by:

T.H 9.1

T.N. Ngiba
Municipal Manager

Statement of Financial Position as at 30 June 2018

Figures in Rand	Note(s)	2018	2017 Restated*
Assets			
Current Assets			
Inventories	3	1 886 300	1 926 636
Other receivables from exchange transactions	4	2 379 426	2 567 881
Receivables from exchange transactions	5	23 802 341	25 036 031
Receivables from non-exchange transactions	6	19 329 111	14 910 103
Cash and cash equivalents	7	13 748 182	11 975 583
		61 145 360	**56 416 234**
Non-Current Assets			
Biological assets	8	82 440 805	-
Investment property	9	49 814 000	49 809 000
Property, plant and equipment	10	466 642 451	454 901 894
Intangible assets	11	868 691	1 303 559
Heritage assets	12	355 590	355 590
		600 121 537	**506 370 043**
Total Assets		**661 266 897**	**562 786 277**
Liabilities			
Current Liabilities			
Loans Payable	13	-	7 633 254
Payables from exchange transactions	14	44 975 232	35 903 404
VAT payable	20	13 531 721	9 546 851
Consumer deposits	15	2 416 479	2 415 338
Unspent conditional grants and receipts	16	5 744 484	3 936 847
Provisions	17	379 345	191 579
Employee benefit obligation	18	669 466	728 499
		67 716 727	**60 355 772**
Non-Current Liabilities			
Provisions	17	2 616 119	2 681 840
Employee benefit obligation	18	16 324 356	16 939 434
		18 940 475	**19 621 274**
Total Liabilities		**86 657 202**	**79 977 046**
Net Assets		**574 609 695**	**482 809 231**
Housing Development Fund	19	3 543 753	3 353 876
Accumulated surplus		571 065 942	479 455 355
Total Net Assets		**574 609 695**	**482 809 231**

* See Note 43 & 42

Statement of Financial Performance

Figures in Rand	Note(s)	2018	2017 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	21	74 548 553	73 554 607
Rental of facilities and equipment		1 805 374	3 716 078
Interest received (trading)		810 065	634 663
Agency services		1 365 766	1 376 466
Licences and permits		1 968 738	1 749 279
Other income	22	10 503 684	487 075
Interest earned	23	2 264 754	3 346 566
Total revenue from exchange transactions		**93 266 934**	**84 864 734**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	24	37 490 430	35 709 330
Property rates - penalties imposed	24	4 275 377	3 553 854
Transfer revenue			
Government grants & subsidies	25	140 560 223	127 685 747
Public contributions and donations		-	2 807 210
Fines, Penalties and Forfeits		993 277	921 806
Total revenue from non-exchange transactions		**183 319 307**	**170 677 947**
Total revenue		**276 586 241**	**255 542 681**
Expenditure			
Employee related costs	26	101 596 112	89 943 839
Remuneration of councillors	27	9 609 282	8 473 641
Depreciation and amortisation	28	29 477 537	26 154 496
Finance costs		1 999 967	2 491 841
Debt Impairment		12 247 647	11 896 069
Bulk purchases	29	44 636 771	44 550 570
Contracted services	30	38 255 927	45 692 385
Assets written down		-	450 765
Indigent support	31	2 846 066	1 642 920
General expenses	32	33 635 817	31 805 642
Total expenditure		**274 305 126**	**263 102 168**
Operating surplus (deficit)		**2 281 115**	**(7 559 487)**
Gain on disposal of assets and liabilities		-	55 162
Fair value adjustments		82 445 805	7 204 000
Actuarial gains/losses	18	2 496 377	1 602 502
		84 942 182	**8 861 664**
Surplus for the year		**87 223 297**	**1 302 177**

* See Note 43 & 42

Statement of Changes in Net Assets

Figures in Rand	Housing Development Fund	Accumulated surplus	Total net assets
Opening balance as previously reported - refer to Note 42	9 698 765	443 315 622	453 014 387
Adjustments			
Prior year adjustments	-	(2 231 230)	(2 231 230)
Balance at 01 July 2016 as restated*	**9 698 765**	**441 084 392**	**450 783 157**
Changes in net assets			
Deficit for the year	-	1 302 176	1 302 176
Other direct changes to Net Assets	-	30 723 898	30 723 898
Interest transfer	476 586	(476 586)	-
Transfer from the Housing Develoment Fund to accumulated surplus	(6 821 475)	6 821 475	-
Net income (losses) recognised directly in net assets	(6 344 889)	38 370 963	32 026 074
Total recognised income and expenses for the year	(6 344 889)	38 370 963	32 026 074
Total changes	(6 344 889)	38 370 963	32 026 074
Restated* Balance at 01 July 2017	**3 353 876**	**479 455 352**	**482 809 228**
Changes in net assets			
Surplus for the year	-	87 223 297	87 223 297
Interest transfer	189 877	(189 877)	-
Other transactions recognised directly in accumulated surplus	-	4 577 170	4 577 170
Total changes	189 877	91 610 590	91 800 467
Balance at 30 June 2018	**3 543 753**	**571 065 942**	**574 609 695**
Note(s)	19		

* See Note 43 & 42

Cash Flow Statement

Figures in Rand	Note(s)	2018	2017 Restated*
Cash flows from operating activities			
Receipts			
Receipts from ratepayers, consumer debtors and others		134 947 766	122 302 057
Government grants		142 367 860	128 947 244
Interest income		2 264 754	3 346 566
		279 580 380	254 595 867
Payments			
Employee costs		(111 757 460)	(97 016 749)
Suppliers		(115 633 873)	(134 834 987)
Finance costs		(1 999 967)	-
		(229 391 300)	(231 851 736)
Net cash flows from operating activities	33	**50 189 080**	**22 744 131**
Cash flows from investing activities			
Purchase of property, plant and equipment	10	(40 783 227)	(34 619 297)
Proceeds from sale of property, plant and equipment	10	-	55 162
Purchase of other intangible assets	11	-	(843 692)
Net cash flows from investing activities		**(40 783 227)**	**(35 407 827)**
Cash flows from financing activities			
Movement in loans payable		(7 633 254)	(18 033 114)
Net increase/(decrease) in cash and cash equivalents		**1 772 599**	**(30 696 810)**
Cash and cash equivalents at the beginning of the year		11 975 583	42 672 393
Cash and cash equivalents at the end of the year	7	**13 748 182**	**11 975 583**

* See Note 43 & 42

Statement of Comparison of Budget and Actual Amounts

Budget on an Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	85 458 000	-	**85 458 000**	74 548 553	**(10 909 447)**	note 47.10
Rental of facilities and equipment	4 522 000	16 531 000	**21 053 000**	1 805 374	**(19 247 626)**	note 47.11
Interest received (trading)	9 180 000	-	**9 180 000**	810 065	**(8 369 935)**	.note 47.12
Agency services	1 347 000	14 000	**1 361 000**	1 365 766	**4 766**	note 47.13
Licences and permits	402 000	-	**402 000**	1 968 738	**1 566 738**	note 47.14
Other income - (rollup)	-	-	-	10 503 684	**10 503 684**	note 47.15
Interest received - investment	1 500 000	-	**1 500 000**	2 264 754	**764 754**	.note 47.16
Total revenue from exchange transactions	**102 409 000**	**16 545 000**	**118 954 000**	**93 266 934**	**(25 687 066)**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	36 224 000	-	**36 224 000**	37 490 430	**1 266 430**	note 47.19
Property rates - penalties imposed	-	-	-	4 275 377	**4 275 377**	note 47.20
Transfer revenue						
Government grants & subsidies	153 663 000	-	**153 663 000**	140 560 223	**(13 102 777)**	note 47.17
Fines, Penalties and Forfeits	201 000	-	**201 000**	993 277	**792 277**	note 47.18
Other transfer revenue	2 497 000	(15 000)	**2 482 000**	-	**(2 482 000)**	
Total revenue from non-exchange transactions	**192 585 000**	**(15 000)**	**192 570 000**	**183 319 307**	**(9 250 693)**	
Total revenue	**294 994 000**	**16 530 000**	**311 524 000**	**276 586 241**	**(34 937 759)**	
Expenditure						
Personnel	(112 253 000)	(82 000)	**(112 335 000)**	(101 596 112)	**10 738 888**	note 47.1
Remuneration of councillors	(9 306 000)	(786 000)	**(10 092 000)**	(9 609 282)	**482 718**	note 47.5
Depreciation and amortisation	(28 422 000)	-	**(28 422 000)**	(29 477 537)	**(1 055 537)**	note 47.6
Finance costs	(1 074 000)	-	**(1 074 000)**	(1 999 967)	**(925 967)**	note 47.2
Debt Impairment	(22 457 000)	-	**(22 457 000)**	(12 247 647)	**10 209 353**	note 47.7
Bulk purchases	(52 759 000)	-	**(52 759 000)**	(44 636 771)	**8 122 229**	note 47.3
Contracted Services	(19 799 000)	(29 410 000)	**(49 209 000)**	(38 255 927)	**10 953 073**	note 47.8
Indigent support	(1 500 000)	-	**(1 500 000)**	(2 846 066)	**(1 346 066)**	note 47.4
General Expenses	(49 784 000)	3 847 000	**(45 937 000)**	(33 635 817)	**12 301 183**	note 47.9
Total expenditure	**(297 354 000)**	**(26 431 000)**	**(323 785 000)**	**(274 305 126)**	**49 479 874**	
Operating surplus	**(2 360 000)**	**(9 901 000)**	**(12 261 000)**	**2 281 115**	**14 542 115**	
Fair value adjustments	-	-	-	82 445 805	**82 445 805**	
Actuarial gains/losses	-	-	-	2 496 377	**2 496 377**	
	-	-	-	**84 942 182**	**84 942 182**	
Surplus before taxation	**(2 360 000)**	**(9 901 000)**	**(12 261 000)**	**87 223 297**	**99 484 297**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**(2 360 000)**	**(9 901 000)**	**(12 261 000)**	**87 223 297**	**99 484 297**	
Reconciliation						

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Position						
Assets						
Current Assets						
Inventories	3 500 000	-	**3 500 000**	1 886 300	**(1 613 700)**	
Other receivables from exchange transactions	-	-	-	2 379 426	**2 379 426**	47.21
Receivables from non-exchange transactions	-	-	-	19 329 111	**19 329 111**	47.21
Consumer debtors	46 794 000	-	**46 794 000**	23 802 341	**(22 991 659)**	47.21
Cash and cash equivalents	(8 720 000)	-	**(8 720 000)**	13 748 182	**22 468 182**	47.22
	41 574 000	-	**41 574 000**	**61 145 360**	**19 571 360**	
Non-Current Assets						
Biological assets	-	-	-	82 440 805	**82 440 805**	note 47.23
Investment property	42 605 000	-	**42 605 000**	49 814 000	**7 209 000**	note 47.24
Property, plant and equipment	433 016 000	-	**433 016 000**	466 642 451	**33 626 451**	note 47.25
Intangible assets	1 474 000	-	**1 474 000**	868 691	**(605 309)**	note 47.26
Heritage assets	314 000	-	**314 000**	355 590	**41 590**	
	477 409 000	-	**477 409 000**	**600 121 537**	**122 712 537**	
Total Assets	**518 983 000**	-	**518 983 000**	**661 266 897**	**142 283 897**	
Liabilities						
Current Liabilities						
Payables from exchange transactions	26 815 000	-	**26 815 000**	44 975 232	**18 160 232**	note 47.27
VAT payable	-	-	-	13 531 721	**13 531 721**	note 47.28
Consumer deposits	2 584 000	-	**2 584 000**	2 416 479	**(167 521)**	note 47.29
Employee benefit obligation	-	-	-	669 466	**669 466**	note 47.30
Unspent conditional grants and receipts	-	-	-	5 744 484	**5 744 484**	note 47.31
Provisions	-	-	-	379 345	**379 345**	note 47.33
	29 399 000	-	**29 399 000**	**67 716 727**	**38 317 727**	
Non-Current Liabilities						
Loans from economic entities	5 500 000	-	**5 500 000**	-	**(5 500 000)**	note 47.32
Employee benefit obligation	15 657 000	-	**15 657 000**	16 324 356	**667 356**	note 47.30
Provisions	-	-	-	2 616 119	**2 616 119**	note 47.33
	21 157 000	-	**21 157 000**	**18 940 475**	**(2 216 525)**	
Total Liabilities	**50 556 000**	-	**50 556 000**	**86 657 202**	**36 101 202**	
Net Assets	**468 427 000**	-	**468 427 000**	**574 609 695**	**106 182 695**	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Housing Development Fund	4 421 000	-	**4 421 000**	3 543 753	**(877 247)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Accumulated surplus	464 006 000	-	**464 006 000**	571 065 942	**107 059 942**	
Total Net Assets	**468 427 000**	-	**468 427 000**	**574 609 695**	**106 182 695**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Taxation	29 648 000	-	**29 648 000**	37 346 799	**7 698 799**	note 47.34
Sale of goods and services	75 302 000	-	**75 302 000**	82 769 502	**7 467 502**	
Grants	152 574 000	-	**152 574 000**	142 367 860	**(10 206 140)**	
Interest income	1 353 000	-	**1 353 000**	2 264 754	**911 754**	
Other receipts	31 677 000	-	**31 677 000**	14 831 465	**(16 845 535)**	note 47.35
	290 554 000	-	**290 554 000**	**279 580 380**	**(10 973 620)**	
Payments						
Employee costs	(121 559 000)	-	**(121 559 000)**	(111 757 460)	**9 801 540**	
Suppliers	(124 624 000)	-	**(124 624 000)**	(115 633 873)	**8 990 127**	note 47.36
Finance costs	(1 074 000)	-	**(1 074 000)**	(1 999 967)	**(925 967)**	
Other payments	(1 159 000)	-	**(1 159 000)**	-	**1 159 000**	note 47.37
	(248 416 000)	-	**(248 416 000)**	**(229 391 300)**	**19 024 700**	
Net cash flows from operating activities	**42 138 000**	-	**42 138 000**	**50 189 080**	**8 051 080**	
Cash flows from investing activities						
Purchase of other asset	(76 546 000)	-	**(76 546 000)**	(40 783 227)	**35 762 773**	
Cash flows from financing activities						
Repayment of loan payable	-	-	-	(7 633 254)	**(7 633 254)**	
Net increase/(decrease) in cash and cash equivalents	(34 408 000)	-	**(34 408 000)**	1 772 599	**36 180 599**	
Cash and cash equivalents at the beginning of the year	48 518 000	-	**48 518 000**	11 975 583	**(36 542 417)**	
Cash and cash equivalents at the end of the year	**14 110 000**	-	**14 110 000**	**13 748 182**	**(361 818)**	

The accounting policies on pages 13 to 27 and the notes on pages 28 to 58 form an integral part of the annual financial statements.

ACCOUNTING POLICIES

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

1.1 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

1.2 Going concern assumption

These annual financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

1.3 Changes in accounting policies and comparability

Changes in accounting policies due to adoption of newly effective Standards of GRAP are applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of a change in policy or where allowed transitional provisions are adopted. In such cases the municipality would restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable.

Changes in accounting estimates are applied prospectively in accordance with GRAP 3 requirements. Details of changes in estimates are disclosed in the notes to the annual financial statements where applicable.

Errors are corrected retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the error. In such cases the municipality would restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable.

The municipality changes an accounting policy only if the change:

a) is required by a Standard of GRAP; or
b) results in the financial statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the performance or cash flow.

1.4 Comparative information

When the presentation or classification of items in the Annual Financial Statements is amended, prior period comparative amounts are reclassified. The nature and reasons for the reclassification are disclosed.

1.5 Significant judgements and sources of estimation uncertainty

The following are the critical judgments, apart from those involving estimations, that management has made in the process of applying the municipality's accounting policies and that have the most significant effect on the amounts recognised in the annual financial statements:

Financial assets and liabilities

The classification of financial assets and liabilities into categories is based on relevant accounting standards as assessed by management.

Accounting Policies

1.5 Significant judgements and sources of estimation uncertainty (continued)

Impairment: Write down of Property, Plant and Equipment (PPE) and inventories

An allowance for writing inventory down to the lower of cost or net realisable value where required, management determine estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the surplus or deficit for the period in which it arises.

Significant estimates and judgments are made relating to PPE impairment tests and impairment of inventories.

Impairment of financial assets

In making the estimation of impairment, management of the municipality considers the detailed criteria of impairment of financial assets as set out in GRAP 104: Financial Instruments. Management of the municipality is satisfied that the impairment of financial assets recorded during the year, is appropriate.

Useful lives of Property, Plant and Equipment

The municipality depreciates/amortises its property, plant and equipment, and intangible assets over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives, which is determined when the assets are available for use. The useful lives and residual values of the assets are based on industry knowledge. The depreciable amount of an asset shall be allocated on a systematic basis over its useful life. The municipality shall assess at each reporting date whether there is any indication that the entity's expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the entity shall revise the expected useful life and/or residual value accordingly. The change(s) shall be accounted for as a change in an accounting estimate in accordance with the Standard of GRAP on Accounting policies, Changes in Accounting Estimates and Errors (GRAP 3).

Defined benefit plan liabilities

The municipality obtains actuarial valuations of its defined benefit plan liabilities. The defined benefit obligations of the municipality that were identified are post-retirement health benefit obligations and long-service awards. Details of the liabilities are provided in the notes to the annual financial statements. Assumptions of the actuaries are contained in the actuary reports.
Multi-employer defined benefit funds are accounted for as defined contribution plans.

Biological assets

The fair value of plantations is subject to the conversion of hectares to tons. The municipality engages the services of professional valuers for the determination of fair value.

Revenue recognition

In making their judgement, management considers the detailed criteria for the recognition of revenue in particular when services are rendered, whether the service has been rendered. Management of the municipality is satisfied that recognition of revenue in the current year is appropriate. Revenue from plantation sale is recognised when all the risk and rewards of ownership have been passed to the buyer.

1.6 Biological assets

The municipality owns wattle, gum and pine plantations. For both initial recognition and subsequent measurement the plantations are measured at fair value less cost to sell.

Fair value is based on active market prices less costs to sell for timber at rotation age and the cost value approach for timber at pre-rotation age.

The gain arising on initial recognition of the plantation is included in the surplus for this year.

A gain or loss arising on subsequent measurement is recognised in surplus or deficit for the period in which the gain or loss arises.

1.7 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:
- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the provision of services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Fair value

Subsequent to initial measurement investment property is measured at fair value.

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

1.8 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one reporting period.

The cost of an item of property, plant and equipment is recognised as an asset when:
- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost or fair value of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or assets, or a combination of assets and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value is not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Accounting Policies

1.8 Property, plant and equipment (continued)

Land is not depreciated as it is regarded as having an indefinite life. Depreciation of assets other than land is calculated, using the straight line method, to depreciate their cost to their residual values over the estimated useful lives of the assets. The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The depreciation rates are based on the following estimated useful lives.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Average useful life
Buildings	5 to 50 Years
Furniture and fixtures	7 to 10 Years
Motor vehicles	5 to 7 Years
Office equipment	3 to 5 Years
Infrastructure	
• Roads and Paving	10 to 20 Years
• Pedestrian Malls	30 Years
• Major Substation Buildings	10 to 50 Years
• Transformers and Related Equipment	20 to 50 Years
• Mains	20 Years
• Street Lights	20 Years
Community	
• Buildings	5 to 50 Years
• Security	5 to 10 Years
Other property, plant and equipment	3 Years

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use or disposal of the asset.

Subsequent measurement

Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the municipality and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Subsequently all property plant and equipment, are measured at cost (which includes deemed cost for previously unrecognised assets), less accumulated depreciation and accumulated impairment losses.

Compensation from third parties for items of property, plant and equipment that were impaired, lost or given up is included in surplus or deficit when the compensation becomes receivable.

1.9 Intangible assets

An asset is identifiable if it either:
- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

An intangible asset is recognised when:
- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

Accounting Policies

1.9 Intangible assets (continued)

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated goodwill is not recognised as an intangible asset.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	**Useful life**
Computer software, other	5years

Intangible assets are derecognised:
- on disposal; or
- when no future economic benefits or service potential are expected from their use or disposal.

The gain or loss is the difference between the net disposal proceeds, if any, and the carrying amount. It is recognised in surplus or deficit when the asset is derecognised.

1.10 Heritage assets

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

Recognition

The municipality recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and the cost or fair value of the asset can be measured reliably.

Initial measurement

Heritage assets are measured at cost.

Where a heritage asset is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition.

Subsequent measurement

After recognition as an asset, a class of heritage assets is carried at its cost less any accumulated impairment losses.

Impairment

The municipality assess at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the municipality estimates the recoverable amount or the recoverable service amount of the heritage asset.

Accounting Policies

1.10 Heritage assets (continued)

Derecognition

The municipality derecognises heritage asset on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the heritage asset. Such difference is recognised in surplus or deficit when the heritage asset is derecognised.

1.11 Financial instruments

The municipality has various types of financial instruments and these can be broadly categorised as either financial assets or financial liabilities.

Classification

The municipality has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Receivables from non-exchange transactions	Financial asset measured at amortised cost
VAT receivable	Financial asset measured at amortised cost
Receivables from exchange transctions	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at amortised cost

The municipality has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Payables from exchange transactions	Financial liability measured at amortised cost
VAT payable	Financial liability measured at amortised cost.
Consumer deposits	Finiancial liability measured at amortised cost.
Unspent conditional grants	Financial liability measured at amortised cost
Provisions	Financial liability measured at amortised cost
Loan payable	Financial liability measured at amortised cost

Initial recognition

The municipality recognises a financial asset or a financial liability in its statement of financial position when the municipality becomes a party to the contractual provisions of the instrument.

Initial measurement of financial assets and financial liabilities

The municipality measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

1.11 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

The municipality measures all financial assets and financial liabilities after initial recognition at amortised cost.

All financial assets measured at amortised cost, are subject to an impairment review.

Impairment of financial assets

The municipality assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Derecognition

Financial assets

The municipality derecognises financial assets when the contractual rights to the cash flows from the asset expire or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

Financial liabilities

The municipality derecognises financial liabilities when the municipality's obligations are discharged, cancelled or they expire.

1.12 Leases

Operating leases - lessor

Operating lease rental income is recognised on a straight-line basis over the term of the relevant lease.

Operating leases - lessee

Operating lease rentals are recognised as an expense in surplus or deficit for the year on a straight-line basis over the term of the relevant lease.

1.13 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost determined on the weighted average basis and, net realisable value.

Accounting Policies

1.14 Impairment of cash-generating assets

Identification

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standard of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

1.14 Impairment of cash-generating assets (continued)

Reversal of impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

1.15 Impairment of non-cash-generating assets

Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

1.15 Impairment of non-cash-generating assets (continued)

Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating asset is determined using the following approach:

Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standards of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Reversal of an impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

1.16 Employee benefits

Short-term employee benefits

Remuneration to employees is recognised in surplus or deficit for the year as the services are rendered, except for non-accumulating benefits, which are only recognised when the specific event occurs.

The costs of all short-term employee benefits such as leave pay, are recognised during the period in which the employee renders the related service. The liability for leave pay is based on the total accrued leave days at year end and is included as an accrual in financial liabilities. The municipality recognises the expected cost of performance bonuses only when the municipality has a present legal or constructive obligation to make such payment and a reliable estimate can be made.

Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

The municipality's contributions to the defined contribution funds are established in terms of the rules governing those plans. Contributions are recognised in surplus or deficit for the year in which the service is rendered by the relevant employees. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available. The municipality has no further payment obligations once the contributions have been paid.

Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the entity recognise actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

The entity uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

Pension benefits

The municipality and its employees contribute to the Natal Joint Municipal Pension Fund (Superannuation, Retirement and Provident fund). The KZN Municipal Pension Fund is a defined contribution fund. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year they become payable. Natal Joint Superannuation & Retirement Funds and Government Employee Pension Fund are defined benefit funds. The Natal Joint Provident Fund and South African Local Authority Pension Fund are defined contribution funds.

The schemes are funded through payments to fund administered or trustee-administered funds, determined by periodic actuarial calculations.

Defined benefit plans have been accounted for as defined contribution plans in accordance with the requirements on multi-employer plans where sufficient information is not available to account for such plans as defined benefit plans. As the fund administrators do not have sufficient information available to allocate the shortfall on liabilities to individual employers, no liability is recognised for any shortfall of fund assets as compared to fund liabilities. Any surcharges that may be levied by the fund from time to time in order to compensate for shortfalls, are recognised as expenses in the period in which they become payable to the fund. As surcharges are advised long in advance, based on actuarial valuations of the fund as a whole, the necessary provision for the payment thereof is made in the course of the municipality's normal budgeting processes.

1.16 Employee benefits (continued)

Post-retirement health care benefits

The municipality has an obligation to provide post-retirement health care benefits to certain of its retirees. According to the rules of the medical aid funds, with which the municipality is associated, a member (who is on the current conditions of service), on retirement, is entitled to remain a continued member of the medical aid fund, in which case the municipality is liable for a certain portion of the medical aid membership fee.

The defined benefit liability is the aggregate of the present value of the defined benefit obligation and recognised actuarial gains and losses, adjusted by past service costs where applicable. The plan is unfunded. The present value of the defined benefit obligation is calculated using the projected unit credit method, incorporating actuarial assumptions and an appropriate discount rate. Valuations of these obligations are carried out by independent qualified actuaries.

Actuarial gains or losses are accounted for in full and are recognised in the statement of financial performance.

Long service awards

The municipality has an obligation to provide benefits to its employees. The municipality's liability is based on actuarial valuation using actuary assumptions. Actuarial gains and losses on the long-term incentives are accounted for in surplus or deficit for the year.

1.17 Provisions and contingencies

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the obligation.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

Provisions are reviewed at reporting date and the amount of a provision is the present value of the expenditure expected to be required to settle the obligation. When the effect of discounting is material, provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money. The impact of the periodic unwinding of the discount is recognised in the statement of financial performance as a finance cost as it occurs.

Contingent assets and contingent liabilities are not recognised. Contingent liabilities are disclosed in the notes to the annual financial statements..

1.18 Commitments

Capital commitments inclusive of VAT are disclosed for all assets and intangible assets. The commitment is measured at the value of the contract less amounts incurred.

1.19 Revenue from exchange transactions

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

Revenue comprises the fair value of the consideration received or receivable for the sale or rendering of services in the ordinary course of the municipality's activities. Revenue is shown net of value-added tax, returns, rebates and discounts.

The municipality recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits or service potential will flow to the municipality and when specific criteria have been met for each of the municipality's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the transaction have been resolved. The municipality bases its estimates on historical results, taking into consideration the consumer, transaction and the specifics of each arrangement.

Accounting Policies

1.19 Revenue from exchange transactions (continued)

Service charges

Service charges relating to electricity are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption, based on the consumption history, are made when meter readings cannot be performed

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff. Revenue from the sale of electricity pre-paid meter cards are recognised at the point of sale.
Plantation sales
Revenue from plantation sales is recognised when all the risks and rewards of ownership have passed to the buyer.

Approved Tariff charges and Rentals

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant authorised tariff. This includes the issuing of licences and permits.

Revenue from the rental of facilities and equipment classified as operating leases is recognised on a straight-line basis over the term of the lease agreement where material, where such lease periods span over more than one financial year.

Plantation Sales

Revenue from plantation sales is recognised when all the risks and rewards of ownership have passed to the buyer.

Finance Income

Interest earned on investments is recognised in surplus or deficit for the year on the time proportion basis that takes into account the effective yield on the investment.

1.20 Revenue from non-exchange transactions

Rates, including collection charges and penalties interest.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportion basis with reference to the principal amount receivable and effective interest rate applicable. A composite rating system charging different rate tariffs is employed. Rebates are granted to certain categories of ratepayers and are deducted from revenue.

Fines.

Revenue from issuing of Traffic Fines is recognised when it is probable that economic benefits associated with a transaction will flow to the Municipality and can be measured reliably.

Revenue from traffic fines is initially fair value and subsequently tested for impairment.

The revenue from traffic fines is subject to judicial process which is outside the municipality's control.

Public contributions.

Revenue from public contributions is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment are brought into use. Revenue is recognised at the fair value of the consideration received. Where public contributions have been received and the municipality has not met the condition, a liability is recognised.

Government grants and receipts.

Accounting Policies

1.20 Revenue from non-exchange transactions (continued)

Income received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met, a liability is recognised. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the municipality with no future related costs, are recognised as accounts receivable in the period in which they become receivable.

Interest earned on investments arising from grant received, is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the liability and if it is not payable to the funder, it is recognised as interest earned in surplus or deficit for the year.

1.21 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds. These costs are recognised as expenses in surplus or deficit for the year.

1.22 Unauthorised expenditure

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No 56 of 2003)

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.23 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.24 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.25 Housing development fund

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from National and Provincial Government used to finance housing selling schemes undertaken by the municipality were extinguished on 1 April 1998 and transferred to the fund.

In terms of the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into fund. Where the municipality experiences a net loss on proceeds realised these are funded by the accumulated surplus. Monies standing to the credit of the fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

1.26 Value Added Tax (VAT)

The municipality accounts for VAT on the accruals basis.

Based on approval received from the Commissioner for South African Revenue Services, the municipality has been given permission to remit or claim for VAT on the payments basis for debtors and creditors.

Accounting Policies

1.27 Budget information

The municipality presents a comparison of the budget amounts for which it is held publicly accountable and actual amounts as a separate statement called the 'Statement of Comparison of Budget and Actual Amounts'. This statement compares the budget amounts with the amounts in the financial statements. The budget and financial statements are comparable on an accruals basis.

1.28 Related parties

Individuals, including councillors, as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Key management personnel is defined as the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

1.29 Accounting by principals or agents

A principal-agent arrangement results from a binding arrangement in which one entity, the municipality, undertakes transactions with third parties on behalf, and for the benefit of, another entity, the principal. The municipality recognises increases in assets and related increases in liabilities on receipt of the related funding. The liability is reduced when the amounts are spent in accordance with fund conditions.

1.30 Events after reporting date

Events after the reporting date that have been classified as adjusting events are accounted for in the annual financial statements. Events after the reporting date that are classified as non-adjusting events after the reporting date are disclosed in the notes to the annual financial statements.

1.31 Offsetting

Assets, liabilities, revenue and expenses have not been offset, except where offsetting is required or permitted by Standards of GRAP.

2. New standards and Interpretations

During the year under review no further standards became effective.

The following new GRAP standard which has been approved but is not yet effective has been used to develop an accounting policy.

GRAP 109 - Accounting by principles and agents

This standard deals with the prescribed accounting requirements for transactions in a principle and agent relationship.

2.1 Standards and interpretations issued, but not yet effective

GRAP 20: Related parties

This standard of GRAP on related parties replaces the IPSAS 20 standard on related party disclosure. No significant impact on the financial statements of the Municipality is expected.

GRAP 32: Service Concession Arrangements: Grantor

This standard of GRAP is to prescribe the accounting for service concession arrangements by the grantor, a public sector entity. A service concession arrangement is a contractual arrangement between a grantor and an operator in which the operator uses the service concession asset to provide a mandated function on behalf of the grantor for a specificied period of time and the operator is compensated for its service over a period of the service concession arrangement. Although unlikely at this stage, the standard is only expected to have an impact on the Municipality in the event of any future such arrangements.

GRAP 108: Statutory Receivables

This standard deals with the prescribed accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables and the effect thereof.

IGRAP 17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset

This Interpretation of the Standards of GRAP provides guidance to the grantor where it has entered into a service concession arrangement, but only controls, through ownership, beneficial entitlement or otherwise, a significant residual interest in a service concession asset at the end of the arrangement, where the arrangement does not constitute a lease.

Directive 12: The Selection of an Appropriate Reporting Framework by Public Entities

This directive is not relevant to municiplaities.

2.2 The following approved standards of GRAP that entities are not required to apply.

GRAP 18- Segmental reporting (only municipalities and municipal entities are not required to apply)

Compliance with this standard would have an effect on the presentation only. Financial information would have been reported by segments. The disclosure of this information will assist users of the financial statements to better understand the historical performance and to indentify the resources allocated to support the major activities of the municipality.

Notes to the Annual Financial Statements

Figures in Rand		2018	2017

3. Inventories

		2018	2017
Consumables		1 886 300	1 926 636
Inventories recognised as an expense during the year	Note 32	6 883 096	6 943 442

4. Other receivables from exchange transactions

	2018	2017
Impairment	(390 125)	(407 585)
Accrued interest	10 576	33 437
Other receivables	2 758 975	2 534 444
Uthukela Water	-	407 585
	2 379 426	**2 567 881**

5. Receivables from exchange transactions

	2018	2017
Gross balances		
Electricity	16 404 920	14 286 632
Refuse	9 990 114	7 202 590
Sale of timber	5 415 535	-
Housing rental	2 490 276	1 963 399
Other	10 044 642	8 558 858
	44 345 487	**32 011 479**
Less: Allowance for impairment		
Electricity	(5 333 751)	(3 149 408)
Refuse	(4 132 975)	(2 118 141)
Housing rental	(1 905 380)	(46 664)
Other (specify)	(9 171 040)	(1 661 235)
	(20 543 146)	**(6 975 448)**
Net balance		
Electricity	11 071 169	11 137 224
Refuse	5 857 139	5 084 449
Timber	5 415 535	-
Housing rental	584 896	1 916 735
Other	873 602	6 897 623
	23 802 341	**25 036 031**
Electricity and other		
Current (0 -30 days)	13 946 465	10 180 155
31 - 60 days	1 396 279	2 130 982
61 - 90 days	1 133 833	2 482 236
91 - 120 days	1 098 652	1 210 616
121 - 365 days	26 770 258	16 007 490
	44 345 487	**32 011 479**

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

5. Receivables from exchange transactions (continued)

Reconciliation of allowance for impairment

Balance at beginning of the year	6 975 448	6 371 707
Contributions to allowance	13 567 698	1 668 937
Debt impairment written off against allowance	-	(1 065 196)
	20 543 146	**6 975 448**

Consumer debtors past due but not impaired

Amounts owed by the Government and Government departments are not considered to be impaired. At 30 June 2018, R 1 678 462 (2017: R (212 282)) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

1 month past due	1 009 608	96 543
2 months past due	491 806	76 152
3 months past due	177 048	(384 977)

6. Receivables from non-exchange transactions

Property Rates	29 425 403	27 694 802
Fines	7 349 915	6 412 615
Impairment	(17 446 207)	(19 197 314)
	19 329 111	**14 910 103**

Receivables from non-exchange transactions past due but not impaired

Other receivables from non-exchange transactions which are less than 3 months past due are not considered to be impaired. At 30 June 2018, R 483 403 (2017: R 3 118 764) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

1 month past due	231 995	122 196
2 months past due	137 677	108 671
3 months past due	113 731	2 887 897

Rates		
Current (0-30 days)	3 912 466	2 327 602
31-60 days	761 842	907 422
61-90 days	641 699	901 634
91-120 days	619 766	849 241
> 120 days	23 489 630	22 708 903
	29 425 403	**27 694 802**

Reconciliation of provision for impairment of receivables from non-exchange transactions

Opening balance	19 197 314	9 495 532
Provision for impairment	(1 751 107)	10 219 282
Amounts written off as uncollectible	-	(517 500)
	17 446 207	**19 197 314**

Figures in Rand	2018	2017

7. Cash and cash equivalents

Cash and cash equivalents consist of:

	2018	2017
Cash on hand	56 249	50 134
Bank balances	6 935 469	1 609 355
Short-term deposits	6 756 464	10 316 094
	13 748 182	**11 975 583**

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2018	30 June 2017	30 June 2016	30 June 2018	30 June 2017	30 June 2016
ABSA Main account - 4064988800	6 935 469	1 670 899	1 540 930	6 935 469	1 609 355	1 540 930
ABSA Call account - 9184583753	1 239 263	1 183 176	1 126 711	1 239 263	1 183 176	11 256 711
ABSA call account - 9167223251	953 399	4 608 333	397 317	953 399	4 608 333	397 317
Ndebank Investment - 03/7165015566/063	-	-	10 188 091	-	-	10 188 091
Nedbank Investment- 03/7165015566/061	-	-	10 181 044	-	-	10 181 044
Standard Bank Investment- 268530947-027	-	-	15 000 000	-	-	15 000 000
Standard Bank Investment-- 268530947-042	-	-	4 176 138	-	-	4 176 138
Nedbank Investment- 03/7165015566/0041	-	4 524 585	-	-	4 524 585	-
Cash on hand	-	-	-	56 249	50 134	62 162
Standard Bank Investment- 268530947-044	3 536 833	-	-	3 536 833	-	-
Nedbank Investment- 03/7165015566/000144	1 026 969	-	-	1 026 969	-	-
Total	**13 691 933**	**11 986 993**	**42 610 231**	**13 748 182**	**11 975 583**	**52 802 393**

8. Biological assets

	2018			2017		
	Cost / Valuation	Accumulated Impairment	Carrying value	Cost / Valuation	Accumulated Impairment	Carrying value
Trees in a plantation forest	82 440 805	-	82 440 805	-	-	-

Reconciliation of biological assets - 2018

	Opening balance	Initial recognition on expiry of Mondi lease	Disposals	Gains or losses arising from changes in fair value	Total
Trees in a plantation forest	-	69 031 189	(9 659 986)	23 069 602	82 440 805

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

8. Biological assets (continued)

The net increase in value is due to organic growth of trees that has taken place over the last nine months,decrease in temporary unplanted areas,increase in the area of planted to wattle and conversion of pines from low value pulpwood to high value sawlogs.

The timber plantations were valued on initial recognition 30 September 2017 and at 30 June 2018 by Fractal Forest Africa on 26 August 2018..

Output of agricultural produce during the year was minimal.

Biological assets

Biological assets (the plantation) are consumable biological assets and comprise 2780 hectares of pines, and wattle grown largely for sawlogs.

The plantation is made up of a spread of immature and mature assets with ages ranging from one to twenty years.

The council is currently evaluating future business scenarios for the plantation which include the possible lease of the plantation forest. The municipality is not involved in any activities regarding the forest which is currently managed by an external forestry company with the object of restoring the forest to the desired working cycle. Except for restoration of the working cycle there are no other commitments for development.

Financial risk management strategies related to biological assets

The municipality has engaged the services of Bracken Forestry (Pty) Ltd to manage the forest and the services of Lionbee Investments (Pty) Ltd to oversee the management by Bracken Forestry. As set out in above the council is currently evaluating future business scenarios for the plantation.

Restrictions on use and capacity to sell biological assets

Standing pine on compartment A001 of Holmesdale is the subject of a sale agreement with Bracken Forestry (Pty) Ltd. Upon payment of the selling price for trees on this compartment Bracken Forestry (Pty) Ltd will have the right of harvesting.

Notes to the Annual Financial Statements

Figures in Rand

9. Investment property

	2018			2017		
	Cost / Valuation	Accumulated impairment	Carrying value	Cost / Valuation	Accumulated impairment	Carrying value
Investment property	49 814 000	-	49 814 000	49 809 000	-	49 809 000

Reconciliation of investment property - 2018

	Opening balance	Fair value adjustments	Total
Investment property	49 809 000	5 000	49 814 000

Reconciliation of investment property - 2017

	Opening balance	Fair value adjustments	Total
Investment property	42 605 000	7 204 000	49 809 000

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Notes to the Annual Financial Statements

Figures in Rand

10. Property, plant and equipment

	2018			2017		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	19 420 574	-	19 420 574	19 420 574	-	19 420 574
Buildings	65 921 965	(13 842 335)	52 079 630	65 609 065	(12 024 402)	53 584 663
Plant and machinery	30 076 403	(16 733 074)	13 343 329	28 263 325	(11 087 056)	17 176 269
Motor vehicles	25 772 975	(9 074 712)	16 698 263	24 472 975	(6 804 375)	17 668 600
Infrastructure	349 476 575	(111 540 331)	237 936 244	338 476 154	(95 763 943)	242 712 211
Community	117 456 102	(20 675 102)	96 781 000	87 825 117	(17 654 401)	70 170 716
Work in Progress	20 580 232	-	20 580 232	20 411 620	-	20 411 620
Asset found	3 187 808	-	3 187 808	1 901 533	-	1 901 533
Other property, plant and equipment	6 991 438	(3 536 261)	3 455 177	6 152 762	(3 024 968)	3 127 794
Communication equipment	3 160 194	-	3 160 194	8 727 914	-	8 727 914
Total	**642 044 266**	**(175 401 815)**	**466 642 451**	**601 261 039**	**(146 359 145)**	**454 901 894**

Notes to the Annual Financial Statements

Figures in Rand

10. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2018

	Opening balance	Additions	Transfers received	Depreciation and impairment	Total
Land	19 420 574	-	-	-	19 420 574
Buildings	53 584 663	312 900	-	(1 817 933)	52 079 630
Plant and machinery	17 176 269	1 813 077	-	(5 646 017)	13 343 329
Motor vehicles	17 668 600	1 300 000	-	(2 270 337)	16 698 263
Infrastructure	242 712 211	183 670	10 791 143	(15 750 780)	237 936 244
Community Assets	70 170 716	-	29 630 985	(3 020 701)	96 781 000
Work in Progress - Infrastructure	20 411 620	10 959 755	(10 791 143)	-	20 580 232
Work in Progress - Buildings	1 901 533	1 286 275	-	-	3 187 808
Other property, plant and equipment	3 127 794	864 285	-	(536 902)	3 455 177
Work in Progress - Community assets	8 727 914	24 063 265	(29 630 985)	-	3 160 194
	454 901 894	**40 783 227**	**-**	**(29 042 670)**	**466 642 451**

Reconciliation of property, plant and equipment - 2017

	Opening balance	Additions	Msinga Transfers	Transfers	Transafer to completed works	Depreciation and impairment	Written off	Total
Land	19 420 574	-	-	-	-	-	-	19 420 574
Buildings	55 541 359	68 763	-	(280 350)	55 780	(1 786 348)	(14 541)	53 584 663
Plant and machinery	19 285 569	521 115	-	-	-	(2 555 671)	(74 744)	17 176 269
Motor vehicles	14 207 792	5 362 992	-	-	-	(1 806 828)	(95 356)	17 668 600
Infrastructure	240 755 759	6 165 772	-	10 350 586	3 601 121	(16 264 124)	(1 896 903)	242 712 211
Community	47 039 164	478 923	7 926 177	17 006 262	396 682	(2 674 298)	(2 194)	70 170 716
Work in Progress - Infrastructure	22 232 800	8 567 322	3 743 152	(10 530 533)	(3 601 121)	-	-	20 411 620
Work in Progress - Buildings	506 892	5 780 550	-	(4 330 129)	(55 780)	-	-	1 901 533
Other Property, plant and equipment	3 449 976	617 797	-	-	-	(659 316)	(280 663)	3 127 794
Work in Progress - Community Assets	14 284 369	7 056 063	-	(12 215 836)	(396 682)	-	-	8 727 914
	436 724 254	**34 619 297**	**11 669 329**	**-**	**-**	**(25 746 585)**	**(2 364 401)**	**454 901 894**

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

10. Property, plant and equipment (continued)

Pledged as security

No assets were pledged as security:

Expenditure incurred to repair and maintain property, plant and equipment

	2018	2017
Contracted services	4 171 014	5 023 675

A register containing the information required by section 63 of the Municipal Finance management Act is available for inspection at the registered offices of the municipality.

11. Intangible assets

	2018			2017		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	2 374 840	(1 506 149)	868 691	2 374 840	(1 071 281)	1 303 559

Reconciliation of intangible assets - 2018

	Opening balance	Amortisation	Total
Computer software	1 303 559	(434 868)	868 691

Reconciliation of intangible assets - 2017

	Opening balance	Additions	Amortisation	Total
Computer software	867 800	843 692	(407 933)	1 303 559

Other information

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

12. Heritage assets

	2018			2017		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Historical monuments	355 590	-	355 590	355 590	-	355 590

Reconciliation of heritage assets 2018

	Opening balance	Total
Historical monuments	355 590	355 590

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

12. Heritage assets (continued)

Reconciliation of heritage assets 2017

	Opening balance	Total
Historical monuments	355 590	355 590

Other information

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

13. Loans payable

	2018	2017
At amortised cost		
DBSA	-	7 633 253

The loan was repaid in full in the year under review.

	2018	2017
Non-current liabilities		
At amortised cost	-	-
Current liabilities		
At amortised cost	-	7 633 253

14. Payables from exchange transactions

	2018	2017
Trade payables	16 262 665	6 921 434
Accrued leave pay	7 639 193	6 163 083
Retentions	11 019 925	12 897 460
Sundry deposits	1 145 669	1 225 808
Staff bonus - accrual	2 756 310	2 548 509
Other creditors	6 151 470	6 147 110
	44 975 232	**35 903 404**

15. Consumer deposits

	2018	2017
Electricity	2 416 479	2 415 338

16. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprise of:.

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

16. Unspent conditional grants and receipts (continued)

Municipal Infrastructure Grant (MIG)	14 380	-
Small Town Rehabilitaion Grant	-	4 164 590
Taxi rank	98 264	98 264
Sports and recreation	292 893	292 893
Corridor development	2 040	2 040
Eshane development	374	374
Phasiwe farm	17 399	17 399
Gijima KZN	12 451	12 451
Storm damage	43 170	43 170
Specific program	77 353	77 353
Public donations	5 500	5 500
Massification	5 180 660	(777 187)
	5 744 484	**3 936 847**

Movement during the year

Balance at the beginning of the year	3 936 847	6 083 928
Additions during the year	53 571 327	61 863 000
Income recognition during the year	(51 763 690)	(56 534 497)
MIG recalled	-	(6 311 000)
Disaster Management Grant	-	(279 000)
Massification	-	(885 584)
	5 744 484	**3 936 847**

17. Provisions

Reconciliation of provisions - 2018

	Opening Balance	Actuarial gain/loss	Current service cost	Interest cost	Vesting benefits	Total
Long Service Awards	2 873 419	(312 588)	386 445	239 767	(191 579)	2 995 464

Reconciliation of provisions - 2017

	Opening Balance	Actuarial gain/loss	Current service cost	Interest cost	Vesting benefits	Total
Long Service Awards	2 880 577	(413 045)	418 406	239 014	(251 533)	2 873 419

Non-current liabilities	2 616 119	2 681 840
Current liabilities	379 345	191 579
	2 995 464	**2 873 419**

The municipality rewards qualifying employees for serving a continuous period of 10, 15, 20, 25, 30, 35, 40 and 45 years. At each reporting date the municipality estimates the long service awards using qualified actuaries. As at 30 June 2018, the actuarial valuation was conducted by One Pangaea Financial .

Figures in Rand	2018	2017

18. Employee benefit obligations

Defined benefit plan

Post retirement medical aid plan

The municipality offers employees and continuation members the opportunity of belonging to one of several medical aid schemes (Bonitas, Keyhealth, LA Health ,SAMWU Med) most of which offer a range of options pertaining to levels of cover. The post employment health care benefit actuarial valuation was conducted by One Pangaea Financial. Upon retirement, an employee may continue membership of the medical scheme. Upon a member's death-in-service or death-in-retirement, the surviving dependants may continue membership of the medical scheme.

Movement in the defined obligation plan		
Opening balance	16 939 434	16 594 544
Current service costs	567 566	726 907
Interest cost	1 670 611	1 535 939
Actuarial (gain)/loss	(2 183 789)	(1 189 457)
Transfered to current	(669 466)	(728 499)
	16 324 356	**16 939 434**

Long service award

Movement in the defined benefit obligation		
Opening Balance	2 873 419	2 880 577
Current service costs	386 445	418 406
Interest cost	239 767	239 014
Actuarial (gain)/loss	(312 588)	(413 045)
Benefits vesting	(191 579)	(251 533)
	2 995 464	**2 873 419**

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	10.92 %	9.65 %
Actual return on reimbursement rights	70.00 %	70.00 %
Medical cost trend rates	50.00 %	50.00 %

The average retirement age is 65 years

The benefit accrual age is 55 years

Sensitivity results

The liability at the valuation date was recalculated to show the effect of:

(i) A 1% increase and decrease in the assumed rate of health care cost inflation;

(ii) A 1% increase and decrease in the discount rate;

(iii)A one-year age reduction in the assumed rates of post-retirement mortality;

(iv) A one-year decrease in the assumed average retirement age; and A 10% decrease in the assumed proportion of in-service members that continue to receive the subsidy after retirement.

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

19. Housing Development Fund

Opening balance	3 353 876	9 698 765
Feasibility studies	-	(6 821 475)
Interest	189 877	476 586
	3 543 753	**3 353 876**

20. VAT payable

Tax refunds payables	13 531 721	9 546 851

Value Added Tax becomes due and payable/ receivable upon payment to suppliers or receipt of cash from customers.

21. Service charges

Electricity revenue	65 991 486	65 335 094
Refuse revenue	8 557 067	8 219 513
	74 548 553	**73 554 607**

22. Other income

Escort fees	171 002	154 766
Other income	468 152	332 309
Sale of timber	9 864 530	-
	10 503 684	**487 075**

23. Interest earned

Bank	2 264 754	3 346 566

24. Property rates

Residential	10 939 312	10 723 037
Commercial	14 003 515	13 902 793
State	8 427 981	7 227 825
Small holdings and farms	4 119 622	3 855 675
	37 490 430	35 709 330
Property rates - penalties imposed	4 275 377	3 553 854
	41 765 807	**39 263 184**

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

25. Government grants and subsidies

Operating grants		
Equitable share	104 498 000	94 786 000
Museum subsidy	183 000	175 000
Library subsidy	1 094 000	1 051 000
Expanded Public Works Programme	1 007 000	2 373 000
Finance Management Grant (FMG)	1 800 000	1 725 000
Skills Development Grant	131 013	153 750
Housing	63 000	-
	108 776 013	100 263 750
Capital grants		
Municipal Infrustructure Grant (MIG)	27 619 620	20 000 000
Small Town Grant	4 164 590	1 096 394
Massification	-	6 325 603
	31 784 210	27 421 997
	140 560 223	**127 685 747**

Conditional and Unconditional

Included in above are the following grants and subsidies recognised:

Conditional grants recognised	55 202 539	33 855 747
Unconditional grants received	104 498 000	93 830 000
	159 700 539	**127 685 747**

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

Taxi rank

Balance unspent at beginning of year	98 264	98 264
Current-year receipts	-	-
Conditions met - transferred to revenue	-	-
	98 264	**98 264**

Small Town Rehabilitation

Balance unspent at beginning of year	4 164 590	5 260 984
Conditions met - transferred to revenue	(4 164 590)	(1 096 394)
	-	**4 164 590**

Grant - Skills Development

Current-year receipts	131 013	153 750
Conditions met - transferred to revenue	(131 013)	(153 750)
	-	-

Museum subsidy

Current-year receipts	183 000	175 000
Conditions met - transferred to revenue	(183 000)	(175 000)
	-	-

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

25. Government grants and subsidies (continued)

Municipal Infrastructure Grant (MIG)

	2018	2017
Current-year receipts	27 634 000	20 000 000
Conditions met - transferred to revenue	(27 619 620)	(20 000 000)
	14 380	**-**

Corridor Development

	2018	2017
Balance unspent at beginning of year	2 040	2 040
Current-year receipts	-	-
Conditions met - transferred to revenue	-	-
	2 040	**2 040**

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

25. Government grants and subsidies (continued)

Eshane Development

Balance unspent at beginning of year	374	374
Current-year receipts	-	-
Conditions met - transferred to revenue	-	-
	374	**374**

Conditions still to be met - remain liabilities (see note 16).

Phasiwe farm

Balance unspent at beginning of year	17 399	17 399
Current-year receipts	-	-
Conditions met - transferred to revenue	-	-
	17 399	**17 399**

Conditions still to be met - remain liabilities (see note 16).

FMG

Current-year receipts	1 800 000	1 725 000
Conditions met - transferred to revenue	(1 800 000)	(1 725 000)
	-	-

Gijima KZN

Balance unspent at beginning of year	12 451	12 451
Current-year receipts	-	-
Conditions met - transferred to revenue	-	-
	12 451	**12 451**

Conditions still to be met - remain liabilities (see note 16).

Storm damage grant

Balance unspent at beginning of year	43 170	43 170
Current-year receipts	-	-
Conditions met - transferred to revenue	-	-
	43 170	**43 170**

Conditions still to be met - remain liabilities (see note 16).

Library subsidy

Current-year receipts	1 094 000	1 051 000
Conditions met - transferred to revenue	(1 094 000)	(1 051 000)
	-	-

Specific Programme

Balance unspent at beginning of year	77 353	77 353
Current-year receipts	-	-
Conditions met - transferred to revenue	-	-

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

25. Government grants and subsidies (continued)

	77 353	77 353

Conditions still to be met - remain liabilities (see note 16).

Expanded public works program

Current-year receipts	1 007 000	2 373 000
Conditions met - transferred to revenue	(1 007 000)	(2 373 000)
	-	-

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

26. Employee related costs

Basic	72 092 859	64 057 156
Bonus	4 989 902	4 539 829
Medical aid - company contributions	2 617 503	2 377 874
UIF	694 013	639 811
WCA	416 754	473 009
SDL	923 673	822 153
SALGA Levies	88 162	32 943
Leave pay	2 144 296	1 535 339
Cell allowances	132 900	132 100
Acting allowances	1 036 142	1 124 393
Pension contributions	8 476 015	8 168 712
Housing benefits and allowances	762 689	725 757
Overtime payments	2 441 102	1 864 152
Standby Allowance	323 774	870 126
Defined contribution plans	840 945	289 940
Group Life	985 847	797 884
Less: Employee costs included in other expenses	(647 213)	(2 575 385)
Protective clothing	254 487	1 682 484
Travel, motor car, accommodation, subsistence and other allowances	3 022 262	2 385 562
	101 596 112	**89 943 839**

Remuneration of Municipal Manager

Annual Remuneration	291 766	233 369
Car Allowance	60 000	30 000
Acting Allowance	660 940	275 656
Cell phone Allowance	-	3 000
Other	-	240 573
Housing	20 000	-
	1 032 706	**782 598**

Remuneration of Chief Finance Officer

Annual Remuneration	176 505	-
Car Allowance	33 024	-
Acting Allowance	613 372	242 584
Housing	22 595	-
	845 496	**242 584**

Remuneration of Manager: Corporate Services(Acting)

Acting Allowance	272 401	242 584

Remuneration of Manager: Technical services (Acting)

Acting Allowance	275 764	250 984

Remuneration of Manager: Community Services (Acting)

Acting Allowance	275 764	250 984

Figures in Rand	2018	2017

26. Employee related costs (continued)

Remuneration of Manager: Planning

Annual Remuneration	892 491	892 167
Car Allowance	120 000	120 000
Cellphone Allowance	6 000	6 000
	1 018 491	**1 018 167**

27. Remuneration of councillors

Transport allowances	1 490 360	1 080 075
Cellphone allowances	933 812	663 199
Councillors	7 185 110	6 730 367
	9 609 282	**8 473 641**

In-kind benefits

The Mayor and the Deputy Mayor and Speaker are provided with an office, secretarial support, vehicles and security at the cost of the Council. The mayor also enjoys the benefit of a council house.

Councillors allowances		
Mayor	840 313	769 778
Speaker	681 135	549 787
Deputy Mayor	681 131	578 896
Executive committee members	1 133 541	1 011 184
Ordinary councillors	6 273 162	5 563 996
	9 609 282	**8 473 641**

28. Depreciation and amortisation

Property, plant and equipment	29 042 670	26 154 496
Intangible assets	434 867	-
	29 477 537	**26 154 496**

29. Bulk purchases

Electricity	44 636 771	44 550 570

30. Contracted services

Fleet services	2 211 087	2 197 501
Specialist services	21 279 295	25 222 728
Other contractors	14 765 545	18 272 156
	38 255 927	**45 692 385**

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

31. Indigent Support

Other subsidies		
Free basic electricity and other.	2 534 546	1 355 360
Indgient refuse and rates	311 520	287 560
	2 846 066	**1 642 920**

The municipality provided indigent support to 829 indigent customers as at 30 June 2018 amounting to R 2 534 546 for electricity , R 311 520 for rates and refuse.

32. General expenses

Advertising	2 043 490	3 403 134
Audit committee expenses	962 580	-
Bank charges	775 807	629 078
Study assistance	1 919 192	1 539 247
Commission paid	-	747 546
Community development	1 608 934	1 325 201
Conferences and seminars	100 000	322 015
Towing of vehicles	4 981	59 409
Entertainment	711 576	515 507
Fines and penalties	-	24 189
Ward Committee, Amakhosi Stipends	1 706 879	1 163 818
Hire charges	5 196 505	2 818 682
IT expenses	141 131	362 471
Insurance	610 815	343 752
Inventory consumed	6 883 096	6 943 442
Other expenses	186 844	158 380
Motor vehicle licensing	268 367	88 567
Postage and courier	128 269	206 031
Printing and stationery	704 847	584 412
Protective clothing	415 630	2 185 088
Subscriptions and membership fees	1 491 817	67 445
Telephone and fax	1 801 172	1 800 821
Title deed search fees	89 600	83 000
Training	1 094 249	1 854 129
Travel - local	2 434 784	2 006 858
Municipal services	2 355 252	2 573 420
	33 635 817	**31 805 642**

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

33. Cash generated from operations

Surplus	87 223 297	1 302 177
Adjustments for:		
Depreciation and amortisation	29 477 537	26 154 496
Surplus on sale of assets and liabilities	-	(55 162)
Fair value adjustments	(82 445 805)	(7 204 000)
Debt impairment	12 247 647	11 896 069
Movements in retirement benefit assets and liabilities	(674 111)	469 549
Movements in provisions	122 045	(7 158)
Assets written off and other adjustments	-	(226 223)
Other non-cash items	-	19 731 556
Changes in working capital:		
Inventories	40 336	327 796
Other receivables from exchange transactions	188 455	(13 691 083)
Receivable from exchange transaction	(11 013 957)	(6 001 686)
Other receivables from non-exchange transactions	-	2 974 989
Payables from exchange transactions	9 071 829	(12 244 327)
VAT	4 143 029	1 426 014
Unspent conditional grants and receipts	1 807 637	(2 147 081)
Consumer deposits	1 141	38 205
	50 189 080	**22 744 131**

34. Auditors' remuneration

Fees	1 513 573	1 568 925

Figures in Rand	2018	2017

35. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Property, plant and equipment	5 524 793	25 420 531
Total capital commitments		
Already contracted for but not provided for	5 524 793	25 420 531

Authorised operational expenditure

Already contracted for but not provided for		
• Operational - proffessional fees	13 529 098	1 310 170
Total operational commitments		
Already contracted for but not provided for	13 529 098	1 310 170

Total commitments

Authorised capital expenditure	5 524 793	25 420 531
Authorised operational expenditure	13 529 098	1 310 170
	19 053 891	**26 730 701**

The municipality has contracted SIBGEM for electrification projects, however the committments relating to the said contract have not been disclosed due the agency/ principal relationship.the municipality and ESKOM.

Operational commitments include Tipublox and Konika Minolta these commitments cannot be quantified until specific projects are determined and contract values determined.

Operating leases - as lessee (expense)

Minimum lease payments due		
- within one year	414 518	-
- in second to fifth year inclusive	690 864	-
	1 105 382	**-**

Operating lease payments represent rentals payable by the municipality for certain of its office equipment.

36. Fruitless and wasteful expenditure

Interest and penalties	230 053	303 001

Fruitless and wasteful expenditure refers to the interest charged by Eskom.

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

37. Irregular expenditure

Opening balance	109 179 515	68 861 063
Add: Reason for deviation deemed inadequate	-	7 198 143
Add: Other irregular expenditure	35 632 788	33 120 309
Amounts written off	(134 871 465)	-
Amount awaiting Council review and condonation	**9 940 838**	**109 179 515**

The classification, validation and recoverability of irregular expenditure will be determined by the Council after investigation by the Council Committee in terms of Section 32 of the MFMA

The irregular was submitted before the council and reffered the matter to MPAC for further investigation. After a thorough investigation by the MPAC, council has written off the item .However the process to request condonation of non-compliance with the MFMA is underway.

38. Deviation from supply chain management regulations

Deviations from SCM policy approved by the Accounting Officer.

The accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the council and includes a note to the annual financial statements.

Deviations current year	5 048 251	689 472
	-	-
	5 048 251	**689 472**

39. Electricity Distribution Losses

Units purchased (Kwh)	48 119 089	47 719 811
Units sold (kwh)	(39 999 963)	(40 479 709)
Units lost in distribution (kwh)	8 119 153	7 240 102
Total cost of Distribution losses in Rands	**11 637 994**	**9 928 714**

The municipality incurred distribution losses during the period. These losses are calculated as the difference between power supplies invoiced by Eskom and amounts billed to consumers as above. The losses were due to ageing infrastructure and illegal connections.

The total distribution loss is 16.87% (2017/2018) and 15.17 % (2016/17).

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

40. Contingencies

Contingent liabilities

Estimated contingent liabilities are set out below

- The amount for contingent liabilities disclosed below exclude claimant legal costs which cannot be readily quentified.
- There is a civil claim by Zakwe and Ngubane Family against the municipality for provision of housing to families eveicted from the farms. The potential settlement figures are unknown and cannot be estimated.

Claimant/ Matter		
IGODA/ Breach of Contract	1 179 927	1 179 927
	1 179 927	**1 179 927**

Contingent assets

The Municipality instituted legal action against Mngoe Transport (Private) Limited to recover an amount of R 2 488 050 for an item of Plant the Municipality ordered and paid for in full but was not delivered. According to Council's legal advisors, it is probable that the proceedings will result in the recovery of the full amount and this recovery is virtually certain.

41. Related parties

During the year no transactions were conducted with councillors or entities in which they held interests.

Particulars regarding remuneration to municipal management are set out in note 26

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

42. Prior period errors

Property, plant and equipment - an adjustment has been made for operational expenditure incorrectly capitalised i.e road maintenance and conditional assessment costs.

Value Added Tax - SARS reduced VAT input claims by Skills levy arrears. Inaddition, output VAT declaration was understated by approximately R 50 000.

Receivables - credits/ payments allocated to receivables from non-exchange transactions were reallocated to receivables from exchanges transaction in the current financial year upon takeon for mSCOA.

Accumulated surplus - accumulated surplus was adjusted for the effects of the projects written off as well as the VAT adjustments made to opening balances.

Irregular expenditure - The opening balance for irregular expenditure was adjusted for the 2014-2015 expenditure on the turnkey projects funded by INEP. This expenditure was deemed not to be irregular.

The correction of the error(s) results in adjustments as follows:

	2018	2017
Property, plant and equipment		
As previously reported	-	456 815 529
Projects written off	-	(1 895 363)
Accummulated depreciation	-	(18 273)
	-	**454 901 893**
Value Added Tax		
As previously reported	-	9 229 257
VAT understated	-	317 594
	-	**9 546 851**
Receivables from exchange transaction		
As previously reported	-	22 142 038
Previously understated	-	2 893 993
	-	**25 036 031**
Receivables from non exchange transaction		
As previously reported	-	17 804 097
Previously understated	-	(2 893 994)
	-	**14 910 103**
Accumulated surplus		
As previously reported at 1 July 2016	-	443 315 621
Work In Progress Written off	-	(1 895 363)
Accumulated depreciated	-	(18 273)
VAT understated	-	(317 594)
	-	**441 084 391**
Irregular expenditure		
As previously reported at 1 July 2016	-	126 571 274
Turnkey projects expenditure excluded	-	(57 710 211)
	-	**68 861 063**

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

43. Prior-year reclassifications

Reclassifications

Certain comparative amounts have been reclassified following the promulgation of the Municipal Standard Chart Of Accounts (mSCOA) by National Treasury.

The following reclassifications were effected on the statement of financial performance:

Transfer paymenets - Other

Transafer payments were reclassified to Contracted services.

The reclassification is in line with mSCOA regulations.

As previously reported	-	380 244
Reclassified to Contracted services	-	(380 244)
	-	-

Repairs and maintenance

Repairs and maintenance were reclassified to Contracted services

The reclassification is in line with mSCOA regulations

As previously reported	-	8 701 847
Reclassified to Contracted services	-	(8 701 847)
	-	-

Contracted services

Repairs and maintenance, other transfers and some general expenses on contracted services previously accoubted for under those line items were reclassified to Contracted services in line with mSCOA regulations.

As previously reported	-	15 150 661
Transferred from repairs and maintenace	-	8 701 847
Transferred from transfer paymenets - Other	-	380 244
Transferred from lease rentals	-	175 798
Transferred from general expenses	-	21 283 835
	-	**45 692 385**

General expenses

General expenses transferred to Contrcted services included Audit fees and other specialist services previously disclosed as General expense.

The reclassification is in line with mSCOA regulations.

As previously reported	-	54 027 816
Security	-	(4 308 252)
Youth : Mayor & Council	-	(2 356 813)
SALGA Local and District Selections/Transport Serv	-	(1 848 304)
Audit fees	-	(1 685 844)
Legal fees	-	(1 572 903)
Other	-	(9 511 717)
	-	**32 743 983**

Notes to the Annual Financial Statements

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44. Risk management

Maximum risk exposure

Credit risk consists mainly of cash deposits, cash equivalents and consumer debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Consumer receivables comprise a widespread customer base. Management evaluated credit risk relating to consumers on an ongoing basis.If consumers are independently rated, these ratings are used.Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the municipality.

These balances represent the maximum exposure to credit risk:

Cash and cash equivalents	13 748 182	11 975 583
Receivables from exchange transactions	23 802 341	25 036 031
	37 550 523	**37 011 614**

Liquidity risk

The municipality's risks to liquidity is a result of the funds available to cover future commitments.The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

The table below analyses the municipality's financial liabilities into amounts due within 12 months after year end:

Loan payable	-	7 633 254
Payables from exchange transactions	44 975 232	35 903 403
Unspent Grants	5 744 484	3 936 847
	50 719 716	**47 473 504**

Interest rate risk

As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.

At 30 June 2018, financial instruments exposed to interest rate risk were call deposits and deposits.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates. With all other variables held constant, the municipality's surplus for the year is affected through the impact on variable rate investments as follows:

1% increase 2018		
Cash and cash equivalents	137 480	119 756
Receivables from exchange transactions	238 023	250 360
	375 503	**370 116**

45. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continues to procure funding for the ongoing operations for the municipality.

Notes to the Annual Financial Statements

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46. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Current year subscription / fee	161 723	311 273
Amount paid - current year	(161 723)	(311 273)
Balance outstanding	-	-

Audit fees

Current year subscription / fee	1 513 573	1 568 925
Amount paid - current year	(1 513 573)	(1 568 925)
Balance unpaid-included in accounts	-	-

PAYE and UIF and SDL

Current year subscription / fee	12 700 956	11 691 101
Amount paid - current year	(12 700 956)	(11 691 101)
Balance unpaid	-	-

Pension and Medical Aid Deductions

Current year subscription / fee	18 046 554	19 132 925
Amount paid - current year	(18 046 554)	(19 132 925)
Balance outstanding	-	-

46. Additional disclosure in terms of Municipal Finance Management Act (continued)

Councillors' arrear consumer accounts

The following Councillors and staff had arrear accounts outstanding for more than 90 days at 30 June 2018:

30 June 2018	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Njoko VB	76 175	12 332	88 507
Dlamini MR	35 920	13 019	48 939
Staff			
Mzila TE	411	525	936
Sibiya N	3 601	527	4 128
Mdunge MN	4 646	558	5 204
Sikhakhane S	2 758	525	3 283
Zondi D	484	558	1 042
Mbense MS	6 147	615	6 762
Mazeka DE	274	572	846
Zakwe S	2 033	525	2 558
	132 449	**29 756**	**162 205**

30 June 2017	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Staff			
Gwala LP	14 914	10 434	25 348
Mbeje SL	652	1 739	2 391
Mhlongo BA	13 525	38 425	51 950
Sikhakhane S	653	2 714	3 367
Zakwe Boysie Monick	653	2 178	2 831
Zondi Linda Convoy	653	833	1 486
	31 050	**56 323**	**87 373**

47. Budget differences

47.1 - Personel costs - Budgeted posts were not filled resulting in the under spending.

47.2 - Finance costs - finance costs include the actuarial interest amount for medical aid and long service awards. This is only done at year end and the figure was under estimated.

47.3 - Bulk purchases - The municipality had anticipated an increase from Eskom but NERSA declined therefore resulting in an over budget of bulk purchases.

47.4 - Indigent support - The indigent support is made up of: indigent burials, refuse and electricity. The indigent burials are difficult to estimate as we do not know how many deaths will occur in a year. The municipality under budgeted for indigent support.

47.5 - Remuneration of Councillors - Actual is in line with budget.

47.6 - Depreciation and Ammortisation - The increase is a result of the capitalisation of long outstanding completed work in progress in the prior and current years which was not anticipated at budget time.In addition Msinga assets taken over were depreciated for the first time this year and these were not budgeted for.

47.7 - Debt Impairment - Inaccurate budgeting.

47.8 - Contracted services - Inaccurate budgeting.

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

47. Budget differences (continued)

47.9 - General expenses - Inaccurate budgeting.

47.10 - Service charges - The electricity portion of the services charges were over budgeted.

47.11 - Rental of facilities - Funds from the forestry were expected to flow in after adjustment but the negotiations took longer thus resulting in funds flowing in late in the year.

47.12 - Interest on debtors - Majority of the debtors came forward and made arrangements resulting in interest no longer being charged to their accounts.

47.13 - Agency services - Actual is in line with budget.

47.14 - Licences and permits -The municipality anticipated to receive less than received.

47.15 - Other income - The increase is mainly a result of revenue from timber sales which were not budgeted for as the lease with Mondi was subject to renegotiation at the time.

47.16 - Interest received - Investment - Interest received depends on the timing of the flow of funds.

47.17 - Government grants - The variance is largely due to the fact that revenue from rural electrification grants is no longer recognised as revenue due to the principal / agent relationship.

47.18 - Fines -The municipality raised more than anticipated.

47.19 - Property rates - Inaccurate budgeting

47.20 - Property rates penalties - Not budgeted for due to inability to estimate reliably.

47.21 - Other receivables from exchange,non exchange and consumer debtors - These debtor categories are all classified as one category for budget purposes.In total actual is in line with budget.

47.22 - Cash and cash equivalents - The municipality had anticipated an overdraft but recovered financially and closed the year favourable.

47.23 - Biological assets - The Mondi lease was under renegotiation at the time of budget and the recognition of the forestry was not anticipated at that time.

47.24 - Investment property - Inaccurate budget recording as the 2017 fair value adjustment of R 7,2 million was not anticipated.

47.25 Property,plant and equipment - Inaccurate budget recording has resulted in the variance.

47.26 - Intangible assets - Inaccurate budget recording has resulted in the variance.

47.27 - Payables from exchange transactions - Inaccurate budget recording has resulted in the variance.

47.28 - VAT payable - A technical interpretation has resulted in the creation of a VAT liability. This is currently the subject of further research.

47.29 - Consumer deposits - These are in line with budget.

47.30 - Employee benefit obligation - The current liability for employee benefits is included in the budget for the long term portion.

47.31 - Unspent conditional grants - The variance is largely due to unspent rural massification grant which was received in the last quarter of the financial year.

47.32 - Loans from economic entities - The variance is due to the DBSA loan being repaid earlier than anticipated.

47. Budget differences (continued)

47.33 - Provisions - This relates to long service awards which were not budgeted for.

47.34 - Receipts-taxation - Inaccurate budgeting

47.35 - Other receipts - The budget amount was the MIG grant which is included in grants received above.Actual other receipts includes timber sales and agency fees.Timber sales were not expected at time of budget.

47.36 - Payment to suppliers - Cashflow constraints resulted in payments to major creditors being deferred to the following month.

47.37 - Other payments - Inaccurate budgeting as this type of payment is not supported by any of the components in the statement of financial position.